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“Free” college tuition doesn’t add up*

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Quad 136

Free College Tuition Doesn't Add Up

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"Free" College Tuition Doesn't Add Up*



Photo: Tommy O'Laughlin '13

Presidential candidate Bernie Sanders had significant success in attracting young people to his campaign in no small part due to his proposal to make tuition free at public colleges and universities.

Hillary Clinton responded to the Sanders proposal with a means-tested program of free tuition for families with incomes under \$125,000. Donald Trump did not offer his own free tuition plan, but

the end of the campaign season did not bring about an end to this proposal. In January, New York Gov. Andrew Cuomo unveiled a free tuition plan for his state similar to the Clinton plan.

The goals of these programs are certainly admirable. It has become well understood that a college education has become increasingly important, maybe even essential, for entry into the middle and upper-middle class.

The goals of free tuition are to increase educational attainment and better prepare students for the job market, especially those for whom costs might be insurmountable. Some proponents argue that for many future students a college degree will become what a high school diploma is today.

These policy proposals have been met with mixed reviews for three important reasons.

The first concern focuses on costs. In tight budget times, it is not clear Congress nor states would be interested in a program that costs \$75 billion a year, according to *The Wall Street Journal* and Sanders' estimates. It is a basic question of opportunity cost. If we, as a society, can find \$75 billion in additional tax revenue or if we are willing to borrow it, is free tuition the best way to spend that money?

A second concern is equity. A free tuition program is not, of course, "free." Federal and state taxpayers would pay for tuition costs, and here the analogy with high school education breaks down.

The equity implications of funding the two educational models are different in important ways. Most public high schools are funded with property taxes in the district where the schools are located. The recipients of the education are, by and large, the children of the taxpayers. Revenues are collected in a means-tested fashion where wealthier homeowners pay more and, therefore, the costs of education are generally means-tested too, as wealthier families are paying more for their children's education than less well-off families. (There are, of course, further equity concerns as richer districts can choose to offer a different quality education than poorer ones.)



Photo: Tommy O'Laughlin '13

Under any free tuition plan, the link between the taxpayer and consumers of education is much less clear, potentially raising equity concerns.

Many taxpayers who would fund free tuition will never have children who pursue public college education. Weakening the link between those paying for a program and its beneficiaries likely weakens political support.

More importantly, the means testing of the student recipients is much weaker. With tuition at zero, the free tuition plan is basically a transfer from taxpayers to students, regardless of the individual student's economic circumstances. Data from the College Board reveals that because of financial aid programs, the primary beneficiaries of free tuition are upper-middle-class students who pay the most tuition at public institutions.

Even if this transfer from taxpayers to upper-middle-class families was defensible, most

economists would argue that if transferring income to students for their education is the goal, then it should be done directly — such as Pell Grants at the federal level or the Minnesota State Grant program at the state level. Such a grant could be means-tested and targeted if taxpayers felt low-income students should be the primary beneficiaries.

The third concern is the way free tuition would distort educational choices. By making the price of state colleges and universities zero, a free tuition program would significantly increase the price differential between public colleges and private institutions. This change could have a significant impact on enrollments between different types of four-year schools and be detrimental to some students.

Private and public schools offer a range of different experiences, as those of us in Central Minnesota are well aware — from small schools like Saint John’s University and the College of Saint Benedict to mid-sized, public, comprehensive schools like St. Cloud State University to large research institutions like the University of Minnesota.

Most high school students have the option of choosing from among different kinds of four-year schools. Price is a consideration. But with financial aid, most students can consider public and private options. With a free tuition model, the playing field is tilted dramatically in favor of public options, and the strongest students will likely take the majority of free places, leaving the less academically prepared students with fewer options.

The 2,200-plus four-year options for post-secondary education in the United States serve students well by letting them select the best fit for their talents, interests and previous educational experience. Any public policy that narrows the range of choices, in this case by distorting prices, potentially leaves the intended beneficiaries worse off.

These policy debates are likely moot given the Republican administration and Republican Congress in Washington, but given the increasing importance and costs of higher education, the free tuition debate will be back.

*This column originally appeared in *The St. Cloud Times* on February 25, 2017.

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